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Legislative Audit Division

State of Montana

Report to the Legislature

February 2004

Financial-Compliance Audit

For the Two Fiscal Years Ended June 30, 2003

Montana State Library Commission

This report contains no recommendations related to the Montana State Library Commission.

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FINANCIAL-COMPLIANCE AUDITS

Financial-compliance audits are conducted by the Legislative Audit Division to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States General Accounting Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

Government Auditing Standards, the Single Audit Act Amendments of 1996 and OMB Circular A-133 require the auditor to issue certain financial, internal control, and compliance reports. This individual agency audit report is not intended to comply with these reporting requirements and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a statewide biennial Single Audit Report which complies with the above reporting requirements. The Single Audit Report for the two fiscal years ended June 30, 2003, will be issued by March 31, 2004. The Single Audit Report for the two fiscal years ended June 30, 2001, was issued on March 26, 2002. Copies of the Single Audit Report can be obtained by contacting:

Single Audit Coordinator
Office of Budget and Program Planning
State Capitol
Helena MT 59620
Phone (406) 444-3616

Legislative Audit Division
Room 160, State Capitol
PO Box 201705
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Tori Hunthausen, IS Audit & Operations
James Gillett, Financial-Compliance Audit

February 2004

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance report on the Montana State Library Commission (Library) for the two fiscal years ending June 30, 2003. The objectives of our audit included determining if the Library's financial schedules present fairly the changes in fund balances and results of operations for the two fiscal years ending June 30, 2003, assessing the Library's compliance with applicable laws and regulations, and determining if the Library has effective internal controls.

The Library was created in 1929 by law, which is codified in Title 22, chapter 1, MCA. The Library is the focal point for the development and improvement of library services in Montana. It provides general library services to Montana state government and operates the Statewide Library Resources Program and the Natural Resource Information System Program.

In addition to assisting state government, the Statewide Library Resources Program provides services to public, academic and specialized libraries throughout the state. The services provided include: assisting with information/reference needs, material lending, publications depository, statewide library development, and maintaining the Talking Book Library, which provides services for the blind and visually impaired. The Library of Congress provides the majority of playback equipment and recorded books and materials for the Talking Book Library.

The 1983 Legislature established the Natural Resource Information System Program (NRIS) to improve the availability and accessibility of data and information regarding Montana's natural resources. NRIS staff help coordinate efforts and data gathering among state agencies and other organizations, which use similar types of information, to reduce duplication and promote information sharing by establishing a clearing house with referral service links to sources of information.

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The three main components of NRIS are:

- The Montana Natural Heritage Program, which maintains a computerized inventory of Montana's biological resources, emphasizing rare, threatened, or endangered plant and animal species and biological communities. The Nature Conservancy manages this program under contract with the Library.

- The Water Information System, which collects information on the location of water resources in the state and maintains data on surface water, ground water, water quality, riparian areas, water rights, and climate data.

- The Montana Geographic Information System, which develops and manages geographic information systems and relational data base management systems.

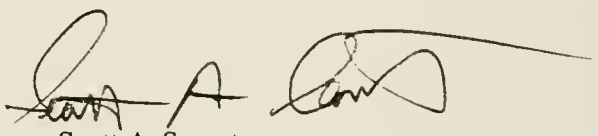
Library operations and grants to public libraries are funded by General Fund appropriations, federal assistance, and a portion of the Coal Severance Tax. NRIS is primarily funded by contracts with state, federal, and local governmental entities.

This report does not contain any recommendations to the Library Commission. Areas of concern deemed to not have a significant effect on the successful operations of the Library programs are not included in this report, but have been discussed with management.

Beginning on page A-1, you will find the Independent Auditor's Report followed by the financial schedules and accompanying notes. We issued an unqualified opinion, which means the reader can rely on the information presented. The Library's response to the audit is on page B-1.

We thank the Montana State Library Commission, the state librarian, and the library staff for their cooperation and assistance throughout the audit.

Respectfully submitted,



Scott A. Seacat
Legislative Auditor

Appointed and Administrative Officials

Montana State Library Commission

		Term Expires
Al Randall Chairperson	Troy	May 2005
Gail Staffanson Vice Chairperson	Sidney	May 2005
Linda McCulloch**	Helena	NA
Bruce Morton*	Bozeman	May 2004
Donald Allen	Billings	May 2006
Caroline Bitz	Box Elder	May 2004
Toni Broadbent	Helena	May 2006

* Appointed by the Commissioner of Higher Education for the Montana University System

** Superintendent of Public Instruction, Ex officio member

Administration

Karen Strege, State Librarian

Jim Hill, Program Manager, Natural Resource Information System

Darlene Staffeldt, Program Manager, Statewide Library Resources

Kris Schmitz, Accountant

Members of the audit staff involved in this audit were Cindy S. Jorgenson, Sonia Powell, and Jeff Tamblyn

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LEGISLATIVE AUDIT DIVISION

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INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the accompanying Schedules of Changes in Fund Balances, Schedules of Total Revenues, and Schedules of Total Expenditures of the Montana State Library Commission (Library) for each of the two fiscal years ended June 30, 2003, and 2002. The information contained in these financial schedules is the responsibility of the Library's management. Our responsibility is to express an opinion on these financial schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, the financial schedules are presented on a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The schedules are not intended to be a complete presentation and disclosure of the Library's assets and liabilities.

In our opinion, the financial schedules referred to above present fairly, in all material respects, the results of operations and changes in fund balances of the Library for each of the fiscal years ended June 30, 2003, and 2002, in conformity with the basis of accounting described in note 1.

Respectfully submitted,

James Gillett, CPA
Deputy Legislative Auditor

December 31, 2003

LIBRARY COMMISSION
SCHEDULE OF CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund
FUND BALANCE: July 1, 2002	$ (363,270)	$ 198,048	$ 0
ADDITIONS			
Budgeted Revenues		317,886	959,265
Nonbudgeted Revenues	17,396	9,703	
Prior Year Revenues		155	
Direct Entries to Fund Balance	1,759,989	509,660	
Total Additions	1,777,385	837,404	959,265
REDUCTIONS			
Budgeted Expenditures	1,787,983	898,115	959,295
Nonbudgeted Expenditures		92,077	
Prior Year Expenditures	3	(68)	(30)
Total Reductions	1,787,986	990,124	959,265
FUND BALANCE: June 30, 2003	$ (373,871)	$ 45,328	$ 0

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-9.

LIBRARY COMMISSION
SCHEDULE OF CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund
FUND BALANCE: July 1, 2001	$ (317,268)	$ 87,287	$ 0
ADDITIONS			
Budgeted Revenues		480,425	1,071,905
Nonbudgeted Revenues	20,278	9,234	
Direct Entries to Fund Balance	1,793,951	665,407	
Total Additions	1,814,229	1,155,066	1,071,905
REDUCTIONS			
Budgeted Expenditures	1,864,411	977,523	1,071,882
Nonbudgeted Expenditures		68,438	
Prior Year Expenditures	(4,180)	(1,656)	23
Total Reductions	1,860,231	1,044,305	1,071,905
FUND BALANCE: June 30, 2002	$ (363,270)	$ 198,048	$ 0

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-9.

LIBRARY COMMISSION
SCHEDULE OF TOTAL REVENUES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Total
TOTAL REVENUES BY CLASS				
Taxes	$ 312	$ 603		$ 915
Charges for Services	16,733	1,017		17,750
Investment Earnings		1,379		1,379
Miscellaneous	351	75		426
Grants, Contracts, Donations and Abandonments		324,670		324,670
Federal			$ 929,131	929,131
Federal Indirect Cost Recoveries			30,134	30,134
Total Revenues	17,396	327,744	959,265	1,304,405
Less: Nonbudgeted Revenues	17,396	9,703		27,099
Prior Year Revenues		155		155
Actual Budgeted Revenues	0	317,886	959,265	1,277,151
Estimated Revenues		400,870	1,404,478	1,805,348
Budgeted Revenues Over (Under) Estimated	$ 0	$ (82,984)	$ (445,213)	$ (528,197)
BUDGETED REVENUES OVER (UNDER) ESTIMATED BY CLASS				
Charges for Services		$ (35,708)		$ (35,708)
Grants, Contracts, Donations and Abandonments		(47,276)		(47,276)
Federal			$ (445,213)	(445,213)
Budgeted Revenues Over (Under) Estimated	$ 0	$ (82,984)	$ (445,213)	$ (528,197)

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-9.

LIBRARY COMMISSION
SCHEDULE OF TOTAL REVENUES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Total
TOTAL REVENUES BY CLASS				
Taxes	$ 262			$ 262
Charges for Services	19,524	$ 103,947		123,471
Investment Earnings		2,501		2,501
Miscellaneous	492	119		611
Grants, Contracts, Donations and Abandonments		383,092		383,092
Federal			$ 1,041,778	1,041,778
Federal Indirect Cost Recoveries			30,127	30,127
Total Revenues	20,278	489,659	1,071,905	1,581,842
Less: Nonbudgeted Revenues	20,278	9,234		29,512
Actual Budgeted Revenues	0	480,425	1,071,905	1,552,330
Estimated Revenues		515,485	1,790,374	2,305,859
Budgeted Revenues Over (Under) Estimated	$ 0	$ (35,060)	$ (718,469)	$ (753,529)
BUDGETED REVENUES OVER (UNDER) ESTIMATED BY CLASS				
Charges for Services		$ (6,060)		$ (6,060)
Grants, Contracts, Donations and Abandonments		(29,000)		(29,000)
Federal			$ (718,469)	(718,469)
Budgeted Revenues Over (Under) Estimated	$ 0	$ (35,060)	$ (718,469)	$ (753,529)

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-9.

LIBRARY COMMISSION
SCHEDULE OF TOTAL EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

PROGRAM (SUBCLASS) EXPENDITURES	NATURAL RESOURCE INFORMATION SYSTEM	STATEWIDE LIBRARY RESOURCES	Total
Personal Services			
Salaries	$ 348,077	$ 882,028	$ 1,230,105
Other Compensation		2,075	2,075
Employee Benefits	88,347	247,949	336,296
Total	436,424	1,132,052	1,568,476
Operating Expenses			
Other Services	405,632	434,404	840,036
Supplies & Materials	37,406	50,743	88,149
Communications	14,721	33,543	48,264
Travel	8,722	69,512	78,234
Rent	3,475	203,355	206,830
Repair & Maintenance	27,313	26,976	54,289
Other Expenses	6,443	50,847	57,290
Total	503,712	869,380	1,373,092
Equipment & Intangible Assets			
Equipment	65,085	100,065	165,150
Intangible Assets		8,000	8,000
Total	65,085	108,065	173,150
Grants			
From State Sources		539,688	539,688
From Federal Sources		82,969	82,969
Total		622,657	622,657
Total Expenditures	$ 1,005,221	$ 2,732,154	$ 3,737,375
EXPENDITURES BY FUND			
General Fund	$ 90,114	$ 1,697,872	$ 1,787,986
State Special Revenue Fund	682,353	307,771	990,124
Federal Special Revenue Fund	232,754	726,511	959,265
Total Expenditures	1,005,221	2,732,154	3,737,375
Less: Nonbudgeted Expenditures		92,077	92,077
Prior Year Expenditures		(95)	(95)
Actual Budgeted Expenditures	1,005,221	2,640,172	3,645,393
Budget Authority	1,487,747	3,066,149	4,553,896
Unspent Budget Authority	$ 482,526	$ 425,977	$ 908,503
UNSPENT BUDGET AUTHORITY BY FUND			
General Fund	$ 5,670	$ 88,342	$ 94,012
State Special Revenue Fund	81,229	19,353	100,582
Federal Special Revenue Fund	395,627	318,282	713,909
Unspent Budget Authority	$ 482,526	$ 425,977	$ 908,503

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-9.

LIBRARY COMMISSION
SCHEDULE OF TOTAL EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

PROGRAM (SUBCLASS) EXPENDITURES	NATURAL RESOURCE INFORMATION SYSTEM	STATEWIDE LIBRARY RESOURCES	Total
Personal Services			
Salaries	$ 337,000	$ 846,558	$ 1,183,558
Other Compensation		1,550	1,550
Employee Benefits	82,781	236,321	319,102
Total	419,781	1,084,429	1,504,210
Operating Expenses			
Other Services	367,662	476,914	844,576
Supplies & Materials	61,863	88,977	150,840
Communications	13,235	35,505	48,740
Travel	9,691	64,137	73,828
Rent	3,600	199,926	203,526
Repair & Maintenance	18,645	45,939	64,584
Other Expenses	10,822	56,519	67,341
Total	485,518	967,917	1,453,435
Equipment & Intangible Assets			
Equipment	48,688	131,826	180,514
Total	48,688	131,826	180,514
Grants			
From State Sources		594,705	594,705
From Federal Sources		243,577	243,577
Total		838,282	838,282
Total Expenditures	$ 953,987	$ 3,022,454	$ 3,976,441
EXPENDITURES BY FUND			
General Fund	$ 92,392	$ 1,767,839	$ 1,860,231
State Special Revenue Fund	696,277	348,028	1,044,305
Federal Special Revenue Fund	165,318	906,587	1,071,905
Total Expenditures	953,987	3,022,454	3,976,441
Less: Nonbudgeted Expenditures	5,019	63,419	68,438
Prior Year Expenditures	(3,126)	(2,687)	(5,813)
Actual Budgeted Expenditures	952,094	2,961,722	3,913,816
Budget Authority	1,632,595	3,409,027	5,041,622
Unspent Budget Authority	$ 680,501	$ 447,305	$ 1,127,806
UNSPENT BUDGET AUTHORITY BY FUND			
General Fund	$ 1,879	$ 142,966	$ 144,845
State Special Revenue Fund	46,251	10,209	56,460
Federal Special Revenue Fund	632,371	294,130	926,501
Unspent Budget Authority	$ 680,501	$ 447,305	$ 1,127,806

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-9.

Montana State Library Commission

Notes to the Financial Schedules
For the Two Fiscal Years Ended June 30, 2003

1. Summary of Significant Accounting Policies

Basis of Accounting

The Montana State Library Commission (Library) uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental fund category (General and Special Revenue Funds). In applying the modified accrual basis, the Library records:

> Revenues when it receives cash or when receipts are measurable and available to pay current period liabilities.
>
> Expenditures for valid obligations when the department incurs the related liability and it is measurable, with the exception of the cost of employees' annual and sick leave. State accounting policy requires the Library to record the cost of employees' annual leave and sick leave when used or paid.

Expenditures may include: entire budgeted service contracts even though the Library receives the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order before the fiscal year-end.

Basis of Presentation

The financial schedule format is in accordance with the policy of the Legislative Audit Committee. The financial schedules are prepared from the transactions posted to the state's accounting system without adjustment.

The Library uses the following funds:

Governmental Fund Category

General Fund – to account for all financial resources except those required to be accounted for in another fund.

State Special Revenue Fund – to account for proceeds of specific state revenue sources, other than private purpose trusts or major capital projects, that are legally restricted to expenditures for specific purposes. Library State Special Revenue Funds include allocations of Coal Severance Taxes, Resource Indemnity Trust Fund earnings, and Natural Resource Information System contracts with state and private entities.

Federal Special Revenue Fund – to account for proceeds of specific federal revenue sources, other than private purpose trusts or major capital projects, that are legally restricted to expenditures for specific purposes. Federal Special Revenue Funds include the federal Library Services and Technology Act grants and Natural Resources Information System contracts with federal entities.

2. General Fund Balance

The negative fund balance in the General Fund does not indicate overspent appropriation authority. The Library has authority to pay obligations from the statewide General Fund within its appropriation limits, and it expends cash or other assets from the statewide fund when it pays General Fund obligations. The Library's outstanding liabilities exceed the assets it has placed in the fund, resulting in negative ending General Fund balances for each of the fiscal years ended June 30, 2003, and June 30, 2002.

3. Direct Entries to Fund Balance

Direct entries to fund balances in the General and State Special Revenue Fund include entries generated by the Statewide Accounting, Budgeting, and Human Resources System to reflect the flow of resources within individual funds shared by separate agencies. For the Library, these funds include the General Fund, the Resource Indemnity Trust Fund, and the Coal Severance Tax Fund.

MONTANA State Library

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January 26, 2004

Scott Seacat
Legislative Auditor
State Capitol
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Helena, MT 59620-1705

I thank the Legislative Audit staff for their assistance and work performed on the State Library Commission Financial-Compliance Audit for the two fiscal years ending June 30, 2003. We value and appreciate their assistance and advice.

The State Library Commission will be delighted and proud that your report shows that our agency is performing at an acceptable level of accountability and accuracy. We will always strive to meet this standard.

Should you have any questions concerning the Library's response, please feel free to contact me.

Sincerely,

Karen Strege
State Librarian

KS:kms